

M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Diana Torres, Manager Analyst: C. Robinson

Subject: ONE-STEP FOR **CALIFORNIA CHASSIS, INC. <100**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 92
 - *In California:* 92
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$99,560
- Substantial Contribution: \$0
- Total ETP Funding: \$99,560
- Total In-kind Contribution: \$91,689
 - *Trainee Wages Paid During Training:* \$87,489
 - *Other Contributions:* \$4,200
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

INTRODUCTION:

California Chassis, Inc. (CCI), designs and builds aluminum and steel sheet metal products including racks, rack rails, cabinets, enclosures, and accessories. Its primary customers include other manufacturing companies located throughout the United States, Europe and Asia. The Company employs 92 full-time employees at its Orange County facility, the site of the proposed ETP-funded training.

The Company qualifies for standard ETP funding as a manufacturer facing out-of-state competition, under Title 22, California Code of Regulations (CCR), Section 4416(b), and proposes to retrain 38 of its frontline workers. The proposed training will allow the Company to continue with its long-term goal of becoming a high performance workplace to improve the productivity and efficiency of its manufacturing operations.

MEETING ETP GOALS AND OBJECTIVES:

CCI proposes training that will further the following ETP goals and objectives:

- 1) Because CCI is a manufacturer of fabricated sheet metal products, the proposed training will target frontline workers. This proposal also promotes the retention of the California's manufacturing workforce, thereby meeting ETP's legislative mandates to promote retention of manufacturing jobs within the state and invest in developing the skills of frontline workers.
- 2) The proposed training for CCI is designed to enhance the skills of its frontline workers to prepare them for employment in a high performance workplace. Consequently, the proposed training supports ETP legislative funding priority to support companies moving to a high performance workplace.
- 3) Training is targeted to primarily frontline workers earning an prevalent wage of \$15.50 per hour which is above the ETP minimum wage for Orange County. Therefore, the proposed training will meet ETP's legislative mandate to foster job retention of high-wage, highly skilled jobs.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	Continuous Improvement Manufacturing Skills	38	64-192	N/A	\$2,620	*\$12.17 - \$45.00
					<u>Prevalent Hourly Wage</u> \$15.50	
					<u>Average Cost Per Trainee</u> \$2,620	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health Benefits of at least \$.32 per hour will be applied to the base wage of some retrainees in order to meet the ETP minimum hourly wage of \$12.17 for Orange County.					<u>Turnover Rate</u> 19%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 18%
<u>Other Employee Benefits:</u> In addition to health, dental and vision, CCI offers the following fringe benefits: paid annual vacation/holiday and sick leave.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

Of the 38 trainees in the training plan, 31 will meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee). The remaining seven managers and supervisors constitute 18 percent of the total training population.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ *Repeat Contractor*

The proposed training plan represents CCI's third request for ETP funding within the last five years at the same facility. CCI's first Agreement (04/02 – 04/04) initiated its plan developed in 2002, to incrementally transition, over a period of several years, to a high performance workplace. The first phase of training in continuous improvement, business skills and management skills consisted of Total Quality Management (TQM), communication skills, and coaching techniques for 30 management, sales, engineering and a few key production workers. Upon completion of this project in early 2003, the Company found that the training helped CCI reduce production costs, improve on-time shipping, and decrease its rework/scrap.

In CCI's second Agreement (05/03 – 05/05), the Company included 27 of the aforementioned employees and an additional 30 production staff in the second portion of its planned efforts toward transitioning to a high performance workplace. The training in this Agreement concentrated on continuous improvement and manufacturing skills in basic leadership, team building, quality management, and basic blueprint reading. The second Agreement, completed in March 2004 resulted in improved communication in a teamwork environment, improved product quality, and increased productivity.

The Company's proposed third and final Agreement will focus on new continuous improvement and manufacturing training that was either not delivered in the first two Agreements or, in the instance of TQM, was not previously offered to the majority of the Company's production staff.

➤ *Substantial Contribution*

Title 22 CCR, Section 4410 states that a substantial contribution shall be imposed on any employer for retraining that has previously benefited from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more. CCI is not subject to a substantial contribution for this proposed ETP-funded project because the Company earned a combined total of \$101,520 for its two prior Agreements.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

Company representatives report that CCI continues to face intense competition from other metal fabricators located out-of-state who are able to underbid CCI's products through improved production methods and lower labor costs. As a result, the Company implemented a multi-year training project to reach its goals to upgrade product the quality, reduce processing times, lower costs to meet customer demands, and remain competitive. To accomplish these goals, the Company determined that it must become a high performance workplace.

The first two Agreements delivered continuous improvement, business skills, manufacturing skills and management skills training to move toward CCI toward achieving these goals. As a result of the training, the Company documented some overall improvement in its operations. The basic operational needs identified in the previous Agreements remain the same. Therefore, to reach its optimum performance, the Company determined that additional frontline employees and new topics needed to be included in continuous improvement and manufacturing skills training that would build upon previously delivered training and continue to improve the Company's productivity and efficiency of manufacturing operations.

This third proposed ETP-funded project will train the maximum number of front line employees in essential elements to complete CCI's long term plans to improve its ability to compete for customers against larger, out-of-state companies. A total of 38 Company employees will receive new training that is different from what they received in the previous two Agreements as follows.

Continuous Improvement

Some supervisors and most production workers, who were not scheduled to complete Total Quality Management (TQM) training during the last two Agreements, will now receive TQM training in the proposed Agreement. Upon completion of this training, CCI anticipates that all employees will be involved in the process of ongoing improvement, will meet or exceed customer expectations, and will participate in leadership activities that will positively effect changes within the Company. According to the Company, CCI plans on implementing TQM practices through teamwork that will involve development of communication skills, team conflict management/resolution, problem solving, and decision making. Upon completion of this training, the Company anticipates that it will improve the multitude of processes required to produce products within cost limits and delivery times as required by customers.

NARRATIVE: (continued)

The proposed training includes managers, supervisors, planners, inspectors, estimators, and production workers who will receive training in lean manufacturing principals and tools. This training, never offered by CCI in the past, will include basic skills in identifying and minimizing material/wasted time in the production processes. The Company states that this training will reduce production batch size, introduce cellular manufacturing at the basic level, assist CCI in converting to Just-in-Time (JIT) production control/ pull scheduling and help smooth and level production flow to further reduce product costs, waste and improve Company profit margins.

Training in advanced leadership skills for managers supervisors, inspectors, and senior planners/production workers will use a situational leadership model to teach retrainees the use and application of adapting "leadership style" to the skill level of peers and coworkers for diagnosis, flexibility and mentoring purposes. Retrainees will learn directing, coaching, supporting and delegating techniques to improve their ability to assist their peers and coworkers to improve overall performance of the Company.

Manufacturing Skills

Some managers, supervisors, planners, inspectors, estimators, and production workers will be trained to collect information accurately that is needed by the Company to run more efficiently. They will know how to analyze and present the data effectively to others within the Company by learning how to construct pie, line/bar charts, Pareto charts, cause/effect diagrams, histograms and other charts and tools. Following completion of training, retrainees will be able use data analysis and results to improve the CCI's processes to reduce waste, correct problems and improve its overall production procedures.

Training in advanced blueprint is proposed for key supervisors, inspectors and production workers and build upon the basic blueprint training offered in the Company's last Agreement. Instead, training will focus on geometric dimensioning and tolerancing (GD&T) and its application to manufacturing. Because CCI is competing with other companies that are converting to this style of dimensioning their drawings, the Company states that the production related workers must be able to recognize and understand this methodology on customer drawings. The training is needed to assist Company employees in using GD&T to reduce errors in reading customers drawings, improve productivity and reduce production errors.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. As stated previously in the Comments section of this memorandum, the first two Agreements assisted CCI in meeting the challenges of its competition and its efforts to transition to a high performance workplace. With the exception of TQM that will be offered to retrainees who did not receive it during the last Agreement, all of the proposed training is different from that offered in both of the Company's past Agreements. CCI representatives state that the third Agreement would enhance the fundamental competencies achieved by its employees during the previous Agreements and allow its participants to play an integral role in the Company's goals of becoming more efficient and competitive.

NARRATIVE: (continued)

After the Company's first two projects, CCI continues to provide training at its own expense in English as a Second Language, cross-training in manufacturing operations to ensure ISO 9001 ongoing certification, and off-site seminars. The Company also delivers safety training, forklift training, applicable state and federal regulations training, new hire orientation training, and "on-the-job" training limited to the specific department needs. The proposed training supplements the training normally provided at an annual cost of approximately \$25,065 to CCI's employees.

SUBCONTRACTORS:

Leadership Consulting Associates located in Lake Forest, California - \$86,120.23 for all Class/lab training.

Leadership Consulting Associates - \$12,919.77 for all project administration.

THIRD PARTY SERVICES:

Leadership Consulting Associates assisted with the application and helped prepare the training plan, curriculum, and the retraining certification for no cost.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Amount Earned \$ %		Planned In-kind Contribution	Reported In-kind Contribution
ET02-0295	Anaheim	04/08/02-04/07/04	\$59,840	87%	*\$98,578	\$72,472

- * The adjusted in-kind for the total earned is \$85,762. The difference between the reported in-kind and the adjusted in-kind is due to the Company's inclusion of overhead (medical, dental, vacation and sick leave) in its original planned contribution. The correct planned contribution amount should have been \$75,829 which, adjusted for the total earned, is \$65,971.

ACTIVE PROJECTS:

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET03-0299	\$53,360	05/06/03-05/05/05	57	47	44	**44

** ETP is currently processing the closeout invoice for this Agreement. If all retrainees who completed the 90-day retention period are approved, CCI will earn \$41, 680 or 78 percent of the encumbered amount.

CALIFORNIA CHASSIS, INC.

MENU CURRICULUM

Hours
Class/lab
64-192

Trainees will receive any of the following:

Continuous Improvement

Total Quality Management

- Team Building Strategies
- Team Communication
- Team Conflict Resolution
- Team Problem Solving and Decision Making
- Process Management
- Process Mapping and Redesign

Lean Manufacturing Principles & Tools

- Batch Size Reduction
- Cellular manufacturing
- Just-in-Time (JIT) Production Control
- Kanban
- Production Leveling/Smoothing

Advanced Leadership Skills

- Situational Leadership
- Coaching, Supporting and Delegating
- Mentoring

Manufacturing Skills

Statistical Process Control

- Data Collection, Analysis and Presentation
- Charts and Graphs

Advanced Blueprint Reading

- Geometric Dimensioning and Tolerancing (GD&T)